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FISCAL IMPACT STATEMENT

LS 6862

BILL NUMBER: HB 1544

NOTE PREPARED: Jan 26, 2009

BILL AMENDED:

SUBJECT: Property Tax Assessments and Bills.

FIRST AUTHOR: Rep. DeLaney

FIRST SPONSOR:

BILL STATUS:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Homesteads:* This bill establishes a procedure administered by the county assessor for verification by the owner of a homestead of the physical features of the homestead that are material to the determination of the property tax assessment.

Exempt Property and TIF: The bill also provides that a property tax bill must include a comparison that shows the amount the taxpayer's current taxes would be if the property tax rate of each taxing unit in the taxing district used to calculate the current taxes were determined based on an assessed valuation of the taxing unit that includes assessed valuation of exempt property and of tangible property segregated from the tax base for tax increment financing (TIF).

Effective Date: Upon passage.

Explanation of State Expenditures: *Homesteads:* The Department of Local Government Finance (DLGF) is to prescribe a form to be used by taxpayers to confirm that the physical features of their homesteads are accurately recorded or to annotate any differences between the physical features as recorded and the actual physical features.

Exempt Property and TIF: Under this bill, the DLGF would have to ensure there is sufficient space on the tax bill to show what the taxpayer's current taxes would be if the assessed value (AV) of exempt property and of property in a TIF district were included in the tax base.

The DLGF could incur additional costs in prescribing the form and in redesigning the tax bill. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Explanation of State Revenues:

Explanation of Local Expenditures: *Homesteads:* Under current law, a general reassessment, involving a physical inspection of all real property, shall begin on July 1, 2009, and each fifth year thereafter. During the general assessment, this bill directs the county assessor to mail to the owner of each homestead in the county a report that includes a record of the physical features of the property that are essential to determine an accurate assessment. The assessor will also include a form in the report on which the owner would either confirm that the physical features are accurate, or list any differences between the physical features as recorded and the actual physical features. If the owner has obtained a permit to renovate the property, the owner has to identify how the physical features would change and when the renovation will be completed. The completed form is to be returned to the assessor.

The taxpayer would be paid \$50, to be paid from the county's general fund, if the form is completed and returned to the assessor by the date specified in the report.

The latest estimates from the OFMA Property Tax database indicate that there are a little over 1.7 million homesteads statewide. Assuming \$0.70 for processing and postage, the total statewide cost of mailing the report and form to each homestead would be approximately \$1.2 M. If each owner of a homestead completes the form and returns it to the assessor on time, the total statewide cost of rewarding each eligible taxpayer would be approximately \$85.5 M. This could be offset by the reduction in reassessment costs (estimated at between \$30 and \$50 a parcel) as the county would not have to physically inspect each homestead during the reassessment.

Exempt Property and TIF: Under current law, certain properties are exempted from paying property taxes. The AV of these properties are not included in the tax base. Additionally, some taxing districts (referred to as parent tax districts in this synopsis) have TIF districts within them. The TIF AV is also not included in the tax base. Unlike exempt AV, the TIF AV is taxed at the rate of the parent tax district. However, the taxes from the TIF AV are allocated to its governing body and not to the other taxing units within the parent tax district.

Under this bill, for taxes payable in 2010 and after, the tax bill would include a comparison that shows the amount the taxpayer's current taxes would be if the AV of exempt property and TIF AV were added to the tax base. The tax bill would also indicate separately how much of the decrease is attributable to exemptions and how much to TIF AV. This would add to the cost of processing each tax bill as programming changes would have to be made in order to print this information on the tax bill.

Estimates from Local Government database and OFMA Property Tax database indicate that in 2008 there were approximately a total of \$26,325 M in AV statewide that were exempted from property taxation, and approximately \$15,465 M in TIF AV. If these values were to be added to the tax base, this would cause a tax shift from all other property to exempt and TIF property in the form of a reduced tax rate. Assuming that the property tax levy remains the same this would translate into a decrease in taxes for most taxpayers.

Background on Exempt Property and TIF: Certain types of property, subject to verification by the county property tax assessment board of appeals (PTABOA), are exempted from property taxation. These include property classified as government-owned, educational, literary, scientific, charitable, hospitals, low-income housing, industrial waste control facility, pollution control, lake/reservoir, fraternities/sororities, fine arts, specified organizations, and inventory.

TIF is a financing mechanism to encourage development of property that would otherwise be too costly to develop for a variety of reasons. When a municipality establishes a TIF area it first determines the assessed value of the property in the area. This is known as the base value. In every subsequent year, each taxing unit which taxes property in the area continues to receive property taxes based on the application of its respective tax rate to the base value. It is the increase in value over the base (the “incremental value” or TIF AV) that produces the incremental property tax for use within the TIF. The incremental value is taxed in the same manner as is the base value, but rather than the property taxes from this incremental value being distributed to the underlying taxing units, it is instead usually distributed to a special fund primarily to pay off TIF development bonds.

Explanation of Local Revenues: *Homesteads:* If a taxpayer who already has a completed form on file with the county assessor sells the homestead, the county assessor will send a report and form to the new owner for verification that the physical features of the property are accurate. If the county assessor determines that the prior owner had omitted or misrepresented information essential for computing an accurate assessment, the prior owner would be subject to a civil penalty of \$500 to be included in the tax bill. If the prior owner fails to pay the fine, the county treasurer is authorized to collect the penalty in the same manner as delinquent personal property taxes are collected (e.g., imposing additional penalties and collection fees, and selling of personal property of the prior owner).

State Agencies Affected: DLGF.

Local Agencies Affected: County assessors; County treasurers; Taxing districts with exempt AV and TIF districts.

Information Sources: Local Government database; OFMA Property Tax database.

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